

Hospital of Saint Raphael
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WRITTEN TESTIMONY BY
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PRESIDENT AND CHIEF EXECUTIVE OFFICER
HOSPITAL OF SAINT RAPHAEL
FINANCE, REVENUE, AND BONDING COMMITTEE
February 9, 2009

**RE: H.B. 6350, AN ACT ELIMINATING EXEMPTIONS FROM THE SALES
AND USE TAX AND LOWERING THE RATE OF SUCH TAX**

The Hospital of Saint Raphael opposes House Bill 6350, An Act Eliminating Exemption From The Sales And Use Tax and Lowering The Rate of Such Tax which would eliminate the exemption for patient care services and would have a significant negative impact on the Hospital of Saint Raphael.

We applaud the state's effort to investigate any and all avenues to increase revenues. However, Connecticut's prior experience with similar sales tax legislation on hospital bills was disastrous – and not much has changed since to indicate any other type of outcome. Additionally, the proposed bill does not appear to consider the basic reality of how healthcare is financed in our state.

While the bill may intend to spread the tax across many Connecticut residents who use hospital services, the reality is that very few patients would end up paying the tax. Seventy percent of Saint Raphael's patients are covered by governmental payers (Medicare and Medicaid). Their rates already fall short of the cost of services; state and federal financial challenges indicate that they won't soon pay for the true cost of care let alone an additional tax. Other patients are covered by commercial insurance programs based on negotiated contracts. These commercial insurers have historically paid more than the cost of care and are agreeing to pay even more to make up for the state and federal government shortfalls, however, it would be difficult, if not impossible, to open up and negotiate an additional five percent increase for a sales tax. Finally, there are patients with no insurance coverage. The majority can't afford to purchase individual insurance, nor can they afford the direct cost of care. In this economy, we are seeing more patients who cannot afford their co-pays and deductibles. They're unlikely to pay a tax either.

While the proposed bill might appear to generate millions of dollars in revenue per year from patients using the Hospital of Saint Raphael, the reality is the state would realize very little of it from patients or payers. Instead, the burden of the sales tax on patient care services would be imposed upon our Hospital – we cannot absorb this additional cost. At

the Hospital of Saint Raphael, a 511-bed hospital in New Haven, we are already facing serious financial challenges due to the yearly shortfall from governmental payers referenced above. Our FY2007 shortfall from Medicare and Medicaid combined was \$29.5 million (\$15 million from Medicare and \$14.5 million from Medicaid.)

The proposed bill would also impose the sales tax on hospital purchases. On the surface, that may look to generate over \$8 million from the Hospital of Saint Raphael. However, many of these purchases – such as pharmaceuticals or nursing supplies – are factored into the rates paid by Medicare and Medicaid or negotiated with payers. We simply cannot “raise our prices” to cover this tax.

As you can see, hospitals are very different from other businesses. At the Hospital of Saint Raphael, we do not turn people away because they cannot pay. In fact, as a safety-net provider in an inner-city, we reach out to those who most need our care, especially those who have difficulty accessing care with little or no health insurance.

Saint Raphael's is not a stranger to many of you. We have been talking about payer shortfalls for several years – our inability to continually – year after year – “make up the difference” and the reality that this could result in dire consequences on our ability to provide the care and services that are expected of us. We are at that point, and House Bill 6350 will only further exacerbate a broken healthcare system by diverting funds from patient care. If House Bill 6350 eliminated the sales and use tax exemption for hospitals, the impact of a tax on patient care services (not including a tax on Medicare and Medicaid bills) and on our purchases at the Hospital of Saint Raphael would be approximately \$15.8 million per year. We cannot absorb this additional loss.

As many legislators will remember about ten years ago, constituents did not agree with the sales tax on patient bills and successfully advocated, with hospitals, for its repeal. We are at a much more difficult economic time in our country now than we were ten years ago, and we are sure that the objection to a sales tax on patient care services would not only be opposed by hospitals but also by the patients and constituents we are privileged to serve.

Thank you for your consideration of our position. We urge you to vote against House Bill 6350, An Act Eliminating Exemptions From the Sales and Use Tax and Lowering the Rate of Such Tax.